

## 1040 Good Buddy!

### The IRS has good news for Truckers...

**I understand there are some tax rules that are favorable to truckers. Can you elaborate on these, and how do we take advantage of these rules?**

*C.A., Indianapolis*

The major new rule affecting truck drivers is the increased deduction available for meal expenses. For meals to be deductible, you must be traveling overnight for business, or long enough that you need to stop for sleep or rest to properly perform your duties.

The amount of meal expense that you are eligible to deduct has previously been limited to 50% of the actual cost you expend, or 50% of the per diem rate set by the IRS. The IRS per diem rate is generally \$30 per day, but if your business travel regularly takes you to certain high-cost cities, the rate may be higher. You can obtain IRS Publication 1542 to find out the per diem rates for the places where you normally travel.

Interstate truck drivers, and others who are subject to the Department of Transportation's hours of service limits, get to take a larger deduction of their business meal expenses. For 2000, these transportation workers may deduct 60% of their allowable meal expense. This percentage is scheduled to increase over the next several years until it reaches 80% in 2008.

Deductible meals include those meals that you purchase while you are traveling away from home on business. The IRS requires that you keep strict records of the dates on which you travel, the time of your travel, the place(s) to which you travel, and the business purpose of the travel.

You are allowed to deduct either the actual cost of your meals or the standard per diem meal allowance prescribed by the IRS. Whichever method you use, the amount you deduct is still limited to 60% in 2000.

To claim a deduction for your business meal expenses, you must itemize your deductions on Schedule A. You will also fill out Form 2106EZ where you can list your meals expense. The deductible amount of your meals and any other un-reimbursed employee business expenses will carry over to your Schedule A. These expenses must exceed 2% of your adjusted gross income before you can deduct them.

For example, if you are a truck driver subject to the hours of service limitations and you earned \$60,000 in 2000, and you spent \$2,000 for meals while you were traveling out of town, you would calculate your deduction in this way. First, multiply your meal expense by 60%, which is \$1,200. Calculate 2% of your adjusted gross income of \$60,000, which also comes to \$1,200. In this situation, you will find that you get no deduction for meals in 2000. If your meal expense exceeds \$2,000, you will be able to benefit from 60% of all meals that exceed \$2,000.

If in this example your business meals totaled \$3,000, you would be entitled to deduct \$1,800 (60% of your meals expense), less \$1,200 (2% of your adjusted gross income), or \$600. The tax benefit of this amount would be your tax rate (28%) times the deductible amount (\$600), or \$168. That's how much you save by taking a deduction for your meal expenses.

If your employer reimburses you for your meals, you may or not have to report the expense as a deduction on your tax return. There are several types of reimbursement plans available, and your requirement to report certain expenses on your tax return depends on the type of plan your employer has in place.

Generally speaking, if the deductible expenses you incur are more than the amount of your reimbursement, you can claim a deduction for the excess expenses. If your employer gives you a reimbursement and includes the amount in your income on your Form W-2, you will want to report the expenses as a deduction to offset the amount of the reimbursement.

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